

# Workforce News



A quarterly publication of the Department of Workforce Services: issued March 2009

**Uintah Basin: Daggett, Duchesne, Uintah**

**jobs.utah.gov**



## Concerns About the Basin's Future



Inside:

- **Uintah:** job growth strong this quarter, but will not hold.
- **Duchesne:** Same for Duchesne, job growth will diminish.
- **Daggett:** Employment falls due to construction's whims.

Contact Carrie Mayne, Supervising Economist, with any questions on content:

801-526-9721  
cjmayne@utah.gov

If an economy nearly doubles in employment in a ten year period, can the employment growth that has developed be sustained? That is the question to be asked of the Uintah Basin's economy.

The Basin has seen its employment base grow by 70% in ten years, a stellar rate of growth by any yardstick. But is the expansion sustainable? In other words, even if no new jobs were to be added, can the economy hang on to the roughly 9,700 new jobs that have been created over the past ten years? After all, the area has seen the economy boom before -in the 1970s- only to see a prolonged bust follow thereafter.

*(continued)*

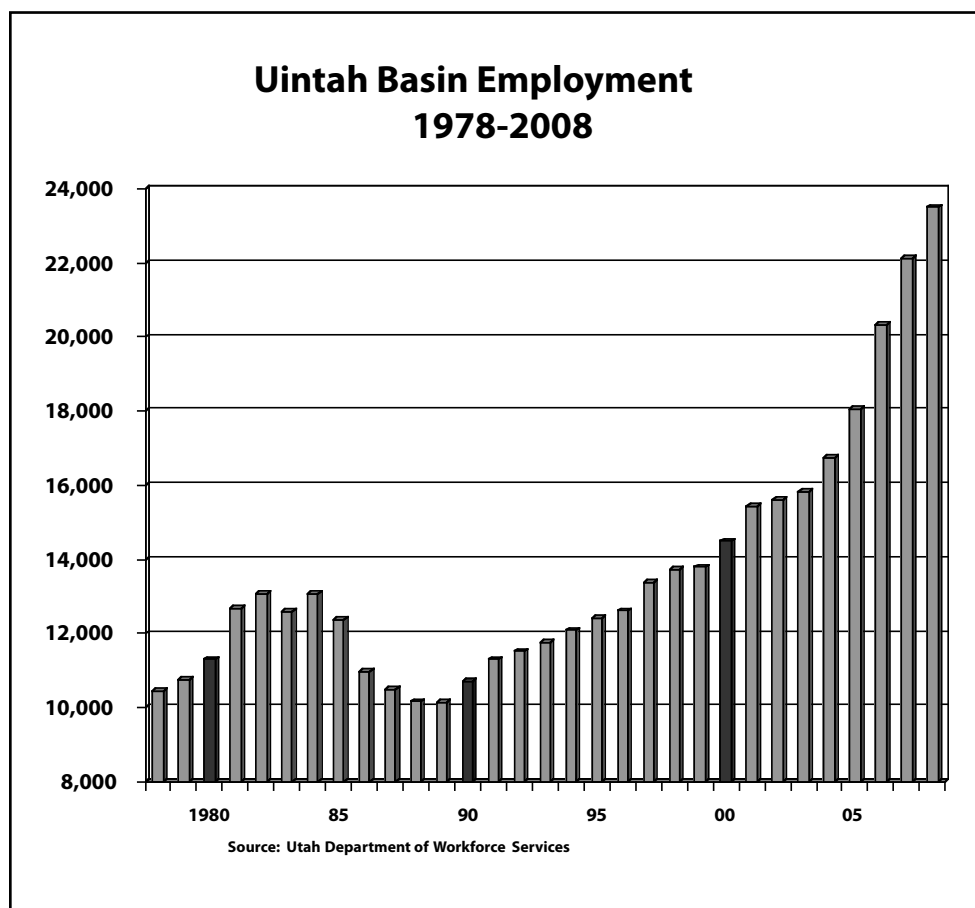
Subscribe to this newsletter and other information: go to <http://jobs.utah.gov/wi> , then click on "sign up" in third box

# Concerns (continued)

I don't think anyone would argue that this employment growth has been driven by the energy industry. Therefore, the ability to maintain the expanded employment going forward is at the mercy of the factors dictating the energy industry. What has been given can be taken away. Is the 70s boom-bust pattern to be repeated again in the Basin? Probably not—at least not to the degree seen following the 70s boom.

So what would be different now? The long-term price of energy is expected to rebound and remain high in the years to come. That seems like an arguable statement in the current environment of oil prices flirting with \$30 a barrel and natural gas prices down considerably. But we have to assume that the current environment of low prices is only temporary, and that the recent high prices will return and persist. It may be a few years before that happens, but an anticipated stronger global economy in the years ahead should force prices back up.

And in the meantime? That's where the concern lies. In the interim, the Basin's economy looks somewhat vulnerable to job cutbacks in the energy industry, which then weakens many other industries in the area. The graph illustrates the rapid employment expansion of the past five years. The employment gains illustrated by the end-of-the-graph-spikes are the ones vulnerable to being lost. In other



words, the pattern of job gains up until 2004 looks like the baseline to fall back to. If so, that could represent the loss of potentially 6,700 jobs in the short run.

This discussion largely excludes Daggett County, which is without an energy base. Therefore, the focus is upon Duchesne and Uintah counties. Duchesne's economy, a somewhat more oil-based area which is also seeing a natural gas expansion, has grown by 76 percent since 1999, the addition of 3,500 jobs. Uintah's more natural-

gas based economy has grown by 70 percent. To compare this with a yardstick, the state's growth rate across this ten year period is 22 percent. It took Utah 17 years (1991-2008) to grow its economy by the same 70 percent recently seen in the Basin. Is it too much too fast? **WFN**

# Focus on Daggett County

Daggett County is the small sister of the Basin's three counties. But it is no less important. It's a beautiful county quietly nestled in Utah's northeast corner. Yet that isolation can also challenge its economic development. It can take some time and effort to get there, and even when one does go there, one generally goes for a purpose, not as a casual traveler just passing by.

So it can be difficult for the county to grow. It doesn't enjoy growth just because a high volume of traffic flows

past on a major transportation artery (like maybe Cedar City would experience lying along I-15). Yet Daggett County is growing. It may be subtle and take time to see, but it is growing. It tends to grow somewhat inconsistently, depending upon the overall economic environment, but growth can be seen when looking back over the past 20 years.

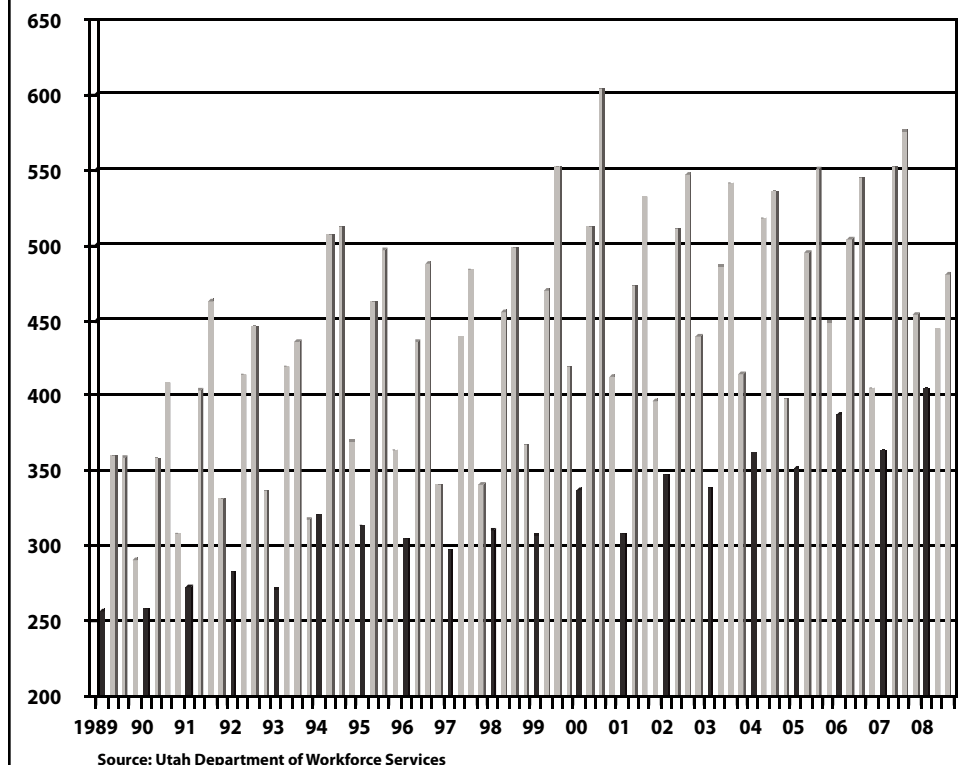
Daggett's employment count is very seasonal, with the high point being the summer months. The winter months go begging for activity. Yet

whatever foundational base Daggett does have in its economy, it will be there in the winter months. So let's ignore the peak months, and instead look at the off-peak months. In this case we'll pick the first quarter (January, February, and March). Those months are highlighted on the chart.

If you will allow your eye to follow the flow of the highlighted bars across the 20-year time span, you will see a not-so-steady, yet real, increase in employment in the weakest period of the year. That employment represents the county's foundational employment. All of the summer activity is built on top of this. So if one can see the base growing during the winter months, then naturally the summer months have a stronger base to grow upon.

Daggett County's 2008 first quarter employment is nearly 60 percent higher than that same quarter in 1989. Some of the most robust growth across that 20-year period has occurred in just the past seven years. What has grown? Local government, with the addition of the jail, and construction. That's about it. But, when one is as isolated as Daggett, one takes what one can get. **WFN**

**Daggett County Quarterly Employment  
1989 - 2008**



# County News

## Daggett County:

The third quarter of 2008 is another quarter of strong job losses in Daggett County. Ninety fewer jobs are recorded this quarter than in the third quarter of 2007 (the same quarter of the previous year is used for comparison to circumvent seasonal fluctuations in employment). That type of employment decline may, at first, suggest a fundamental deterioration in Daggett County's economic base, but nearly all of the decline is found in construction. Last year a temporary construction project swelled employment high, its completion and subsequent employment absence this year makes for the large contrast. Employment in Daggett's foundational industry -tourism- was the same as last year.

## Duchesne County:

During the third quarter of 2008, Duchesne County's economy was still booming. Close to 1,100 new jobs were counted over a year ago. Tie most of this to the mining industry (oil and gas). This industry added close to 500 new jobs. Then add to this around 260 additional trucking jobs (most likely hauling the county's raw materials to market), and around 50 new manufacturing jobs (probably supporting the oil and gas industry), and you account

for most of the county's growth. This quarter marked the peak of the 2008 energy price spike, so this quarter could mark the high point of Duchesne County's employment growth (as we know that the price of energy collapsed thereafter).

## Uintah County:

Same story in Uintah County. The high energy prices turned a somewhat slowing Uintah economy around and pushed employment growth back up. Employment growth was 5.6 percent and falling in the second quarter, but now the third quarter growth is right back up to 9.7 percent. Again, it starts with energy. The mining sector added 530 new jobs over the year. The trucking industry added close to 200. Bucking a nationwide trend, construction grew in the county by nearly 200 jobs. But unlike Duchesne County, where the job growth ends with these industries, Uintah's County growth extends into other industries, such as the leisure and hospitality industry (a proxy for tourism). Those jobs are up by almost 100 jobs; local government is up around 75 positions, professional and business services up 50, and healthcare up 30. **WFN**

# What's Up?

## Energy News that Could Make the Basin Go.

The federal government opened a second round of land leases for oil shale research in the western United States. The Bureau of Land Management is soliciting nominations for parcels to be leased in Colorado, Utah and Wyoming, according to the agency's news release. "Broadening the scope of research into oil shale technologies will help accelerate the development of these vast western resources, and as a result lessen our dependence on foreign sources of energy," James Caswell, bureau's director said in a news release. President Barack Obama's pick for Secretary of the Interior, Sen. Ken Salazar, D-Colo., has been against an expansion in oil-shale leases, saying that it could threaten his region's scarce water supplies.

—*Rigzone.com* 1/14/2009

The Interstate Natural Gas Association of America issued a warning to President-elect Barack Obama that growth of the natural gas pipeline industry could be hampered if lending remains tight. "The industry's ability to continue to invest in safe, reliable energy infrastructure is challenged by an inability to access capital on reasonable terms," Donald F. Santa, president of the association, wrote in a letter to Obama.

—*Oil & Gas Journal*, 1/14/2009

Energy Secretary-designate Steven Chu said that he will continue to aggressively push for clean energy, but he softened his position on some traditional sources. Speaking at his Senate confirmation hearing, Chu said he would encourage "responsible" development of domestic oil and natural gas.

—*Wall Street Journal*, 1/13/2009

The International Energy Agency predicts global oil consumption will decline in 2009, marking the first two-year decline in 26 years. IEA forecasts that global demand will be 85.3 million barrels a day, down 1 million barrels a day from what it had predicted earlier.

—*Houston Chronicle*, 1/16/2009

President Barack Obama's team wasted no time directing energy policy, posting plans on the White House Web site as the new president delivered his inaugural address. Among other things, the posting said the administration's strategy will encompass "responsible domestic production" of oil and natural gas and a "use it or lose it" strategy for existing leases.

—*Pittsburgh Post-Gazette*, 1/20/2009

West Texas' oil industry is cutting back, laying off workers and preparing for the drilling downturn to get worse and affect the broader economy. "It's been a good ride up, but we're bracing ourselves for the ride down," said Midland City Manager Courtney Sharp.

—*The Associated Press*, 1/22/2009

Oil and natural gas producers in New Mexico say the sudden decline in drilling is the worst they've seen. "The number of drilling rigs that have shut down almost instantaneously throughout all companies and operations, combined with the length of time producers say they will remain down, makes this situation unique," says Jason Sandel, executive vice president of Aztec Well Servicing.

—*New Mexico Business Weekly*, 1/23/2009

Oil and natural gas officials in Colorado are worried about the effect of new regulations on drilling -rules they say will cost them money and drive some operators elsewhere. One oil-services executive said the regulations will increase the time it takes to get permits as well as the cost of permits and drilling.

—*Greeley Tribune*, 1/25/2009

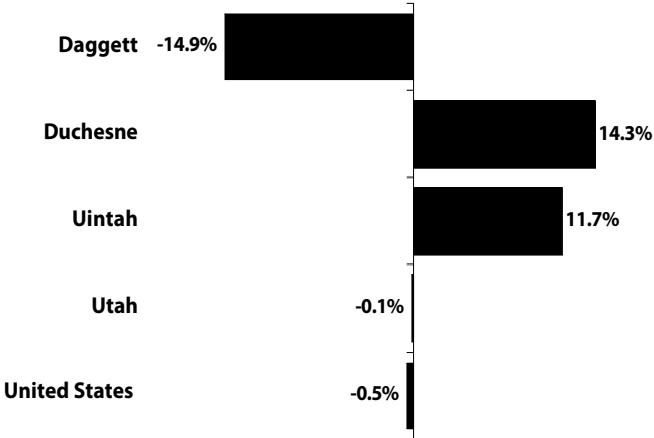
Transportation Secretary-designate Ray LaHood said he expects higher auto fuel-efficiency standards will be finalized by spring. LaHood, one of two Republicans nominated for President Barack Obama's Cabinet, promised during his Senate confirmation hearing to meet congressional deadlines on the standards.

—*Reuters*, 1/23/2009

**Uintah Basin: Daggett, Duchesne, Uintah**

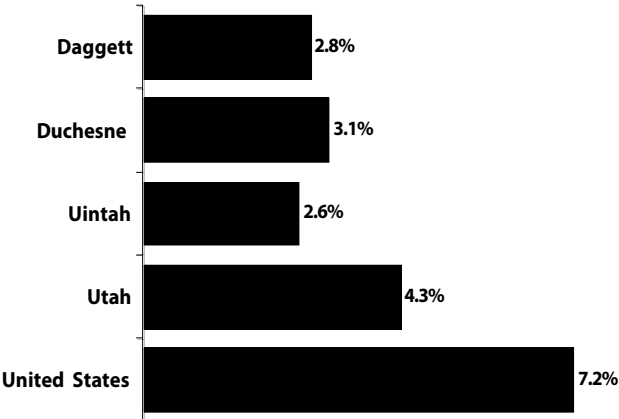
**jobs.utah.gov**

**Year-over Change in Nonfarm Jobs  
Sept. 2007 to Sept. 2008**



Source: Utah Dept. of Workforce Services; U.S. Bureau of Labor Statistics.

**Seasonally Adjusted Unemployment Rate  
December 2008**



Source: Utah Dept. of Workforce Services; U.S. Bureau of Labor Statistics.

03-51UB-0309